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INCOME INEQUALITY STATISTICALLY UNCHANGED SINCE 2001

WASHINGTON, D.C. – According to a key Census Bureau measure, income inequality has been essentially unchanged since 2001. In response to a request by the staff of the Joint Economic Committee, a statistical test performed by the Census Bureau yesterday confirms that no statistically significant change in the inequality measure occurred between 2001 and 2005, the last year for which data are available. The measure referred to here is known as the Gini coefficient, a standard gauge of income inequality published by the Census Bureau and widely used by economists and other researchers.

"A lot has been said about income inequality, but the fact is that it hasn't changed much in recent years," Congressman Jim Saxton said today. "Congress should consider this fact before acting on the assumption that income inequality is surging.

"Of course, this is not to deny that income inequality exists due to a number of factors. One factor is a wide disparity in labor market participation. In the bottom fifth of households, 58.7 percent have no earners, whereas in the top fifth 76.3 percent of households have two or more earners. There is often good reason not to work, such as retirement or disability, but obviously households without earners will lack earnings.

"When examining income data for different groups over time it should be recalled that there is a good deal of income mobility between income groups. The point here is not that income mobility has increased greatly or now is especially high, but simply that the membership of various income groups changes significantly over extended periods of time. For example, a household that was in the middle fifth in 1985 is probably no longer in that group now. As a result, changes in the middle fifth's average income between 1985 and 2005 aren't a good reflection of the changes in the economic well-being of a household that left that income group years ago. Nearly half of all households move to a different fifth in as little as three years, although there is less mobility in the bottom and top fifths.

"Also, inequality in consumption is much less than inequality in income. For example, the level of consumption in the bottom fifth is nearly twice that of income, indicating that income is not necessarily the best measure of economic well-being. Congress will have to carefully consider these data and other relevant statistics in order to make informed policy decisions," Saxton concluded.

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